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ABSTRACT

This brochure contains information about student loans for college applicants and students in Missouri. It is a resource to assist borrowers in making smart repayment decisions and in understanding the options to avoid delinquency and default. Things to consider before one borrows, how to increase one's resources, and how to decrease one's expenses are outlined. Various types of loans, federal and state, are described, with information on loan limits and repayment requirements. Information is provided on the Missouri Student Loan Program, and the Federal Family Education Loan Program and its options. Prepayment options and what to do if one is having trouble repaying the loan are also outlined. A student loan repayment chart is included. (SLD)

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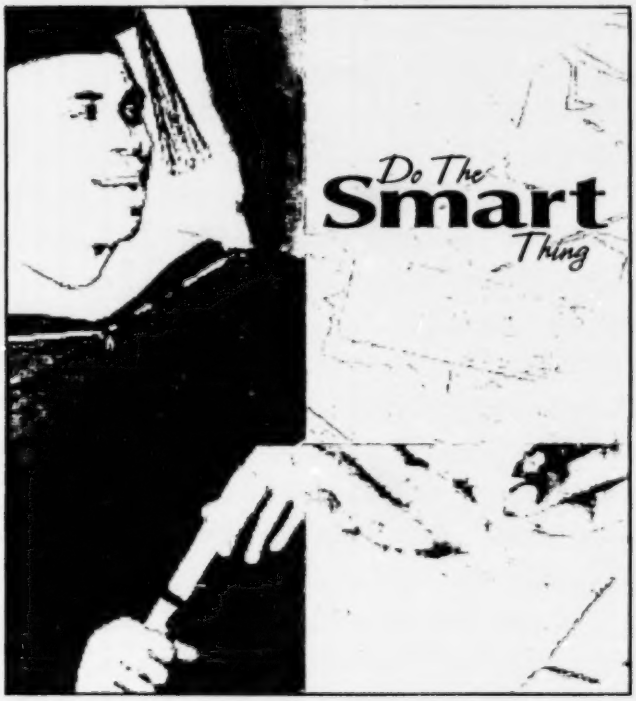
# The Smart Approach to Student Loans and Consumer Debt

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**This brochure contains important information about student loans. It is a valuable resource to assist borrowers in making smart repayment decisions and in understanding the options to avoid delinquency and default.**



**Student loans are valuable resources for assisting students and parents with paying for college. They offer low interest rates, attractive repayment options, and low origination and guarantee fees. In addition, little or no credit history is required to borrow a student loan.**

**However, when you receive a student loan, you must repay it even if you:**

- **are not satisfied with your education,**
- **do not complete your program of study, or**
- **are unable to obtain employment.**

## Start Smart before you decide to borrow

Furthering your education is a decision you make to develop potential and pursue career goals. It's also a major investment of your time, effort, and money. The sooner you start planning, the more you could save.

**1. Consider your career interests.** Consult your high school counselor or college adviser to assess your interests and abilities. You then can research occupations that match your interests and skills. The *Occupational Outlook Handbook* is a very useful tool. Talk to students, faculty, and alumni in programs of study leading to those occupations about their experiences.

**2. Explore all types of schools.** You have many options for continuing your education, including two-year and four-year public and independent colleges and universities and private career schools. Charges vary by school. Research and compare all types of schools so you can determine which is best for your program of study and your budget. If you are considering an out-of-state school, be prepared to pay out-of-state tuition, which can cost twice as much as tuition for in-state schools.

**3. Develop a financial plan.** By increasing your income and decreasing your spending, you might not need to borrow. If you do need to borrow, you could increase your ability to repay your student loan.

★ **Increase your resources.**

- **Financial Aid** - Missouri offers several grant, scholarship, and loan programs to help you pay for college. For more information on state and federal student financial assistance, contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940. You also can contact the Federal Information Center at (800) 4FEDAID for information about federal financial assistance, and college and university financial aid offices for information on their financial assistance programs. Search the Internet for information about financial assistance. (See the list of web resources at www.cbhe.state.mo.us/resources/sfalinks.) Also, check with community groups, businesses, religious groups, and civic and service organizations.
- **Savings** - In addition to personal savings, the Missouri Saving for Tuition (MO$T) Program can be used to pay for college. MO$T offers a combination of federal and state tax incentives to encourage participants to save for college. For more information, call (888) 414-MOST or visit www.missourimost.org.
- **Federal Tax Incentives** - Federal law provides several tax incentives to help students and families pay for college:
  - Hope Scholarship Tax Credit
  - Lifetime Learning Tax Credit
  - Student Loan Interest Deduction
  - Education IRA

  For more information, visit www.ed.gov/inits/HOPE and www.ed.gov/offices/OSFAP/Students/taxcuts/loans.html.
- **Work** - Federal Work-Study, internships, part-time jobs, summer and holiday work, and assistantships all provide income as well as work experience and references. Check student employment postings on campus.
- **Tuition Reimbursement** - Employers may reimburse or provide financial assistance to employees for college expenses.
- **Cooperative Education** - Some schools offer work-for-credit programs.
- **Sponsorship** - Some organizations and companies pay college expenses in return for work after graduation.
- **Military** - Check with local military recruiters about educational financing options.

★ **Decrease your expenses.**

- **Prepare for college while you're in high school.** Data indicate that students who take the CBHE-recommended high school core curriculum are better prepared for college and graduate from college at a higher rate than those who do not take the core curriculum. Starting your college preparation early by taking rigorous courses in high school may eliminate the need for remedial courses in college. Also look into Advanced Placement and dual credit courses, which allow you to earn college credit while in high school.
- **Follow an academic plan.** Many students change their majors while in college, sometimes postponing their graduation dates by a semester or more. Choose a degree program early, and plan a schedule of courses for your entire time in college, ensuring you don't take longer than necessary to graduate.
- **Eliminate or reduce spending for items that aren't necessary.** For example, can you live at home or find a roommate to share expenses? Do you need a car, or can you carpool or take public transportation?

**Can you afford to attend the school you prefer?**
Once you select a school and know the amount of financial assistance you will receive, decide whether you can afford to attend the school by following the steps to prepare a budget on the next page.

## Smart Decisions
### the decision to borrow

If you need a student loan to attend school, remember:

- Student loans must be repaid.
- The amount of money you decide to borrow for school can affect your lifestyle after you leave school.
- Your ability or inability to repay your student loan will affect your credit worthiness for purchases such as a car or house.
- Failure to repay your student loan can increase your total debt because collection costs might be added to your loan balance.

**Prepare an estimated budget to determine your discretionary income after you leave school. This will help you decide how much you can afford to borrow.**

- **Identify your sources of income, including your anticipated take-home pay.** (Visit www.salary.com to research salary information.)
- **Calculate your expenses.** Include your anticipated monthly student loan payments as well as rent/mortgage, groceries, utilities, transportation, medical, and personal expenses. (See pages 5 and 6 to estimate your student loan payments.)
- **Subtract your expenses from your income to calculate your discretionary income.** You should have some discretionary income.
- **Follow the 8 percent rule.** Most financial advisers recommend student loan payments not exceed 8 percent of your gross monthly income. Multiply your estimated gross income (before withholdings) by .08. Your student loan payments should not exceed this amount.
- **Borrow only the amount you need!** If you determine that you need additional funds later, talk with your school's financial aid office.

### Student Loan Repayment Chart
**10-Year Repayment Period**

| Total Amount Borrowed | Minimum Payment | Total Interest Paid | Minimum Annual Salary Needed | Minimum Hourly Salary Needed |
|---|---|---|---|---|
| $5,000 | $61.33 | $2,359.16 | $9,199 | $4.42 |
| $7,500 | $91.99 | $3,538.74 | $13,798 | $6.63 |
| $10,000 | $122.65 | $4,718.32 | $18,398 | $8.85 |
| $12,500 | $153.32 | $5,897.89 | $22,997 | $11.06 |
| $15,000 | $183.98 | $7,077.47 | $27,597 | $13.27 |
| $17,500 | $214.64 | $8,257.05 | $32,196 | $15.48 |
| $20,000 | $245.31 | $9,436.63 | $36,796 | $17.69 |
| $25,000 | $306.63 | $11,795.79 | $45,995 | $22.11 |
| $30,000 | $367.96 | $14,154.95 | $55,194 | $26.54 |
| $35,000 | $429.28 | $16,514.10 | $64,393 | $30.96 |
| $42,500 | $521.27 | $20,052.84 | $78,191 | $37.59 |
| $57,500 | $705.25 | $27,130.31 | $105,788 | $50.86 |
| $65,000 | $797.24 | $30,669.05 | $119,586 | $57.49 |
| $72,500 | $889.23 | $34,207.78 | $133,385 | $64.13 |
| $87,500 | $1,073.21 | $41,285.26 | $160,982 | $77.39 |
| $95,000 | $1,165.20 | $44,823.99 | $174,780 | $84.03 |
| $102,500 | $1,257.19 | $48,362.73 | $188,578 | $90.66 |
| $117,500 | $1,441.17 | $55,440.20 | $216,175 | $103.93 |
| $138,500 | $1,698.74 | $65,348.66 | $254,811 | $122.51 |

All figures are based on an 8.25 percent annual interest rate and equal monthly payments.

Minimum salaries are based on the 8 percent recommendation: Student loan payments should not exceed 8 percent of your gross income.





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## Student Loan Repayment Chart

**25-Year Repayment Period**

| Total Amount Borrowed | Minimum Payment | Total Interest Paid | Mininum Annual Salary Needed | Minimum Hourly Salary Needed |
|---|---|---|---|---|
| $30,000 | $236.54 | $40,960.51 | $35,480 | $17.06 |
| $35,000 | $275.96 | $47,787.26 | $41,394 | $19.90 |
| $42,500 | $335.09 | $58,027.39 | $50,264 | $24.17 |
| $57,500 | $453.36 | $78,507.65 | $68,004 | $32.69 |
| $65,000 | $512.49 | $88,747.78 | $76,874 | $36.96 |
| $72,500 | $571.63 | $98,987.90 | $85,744 | $41.22 |
| $87,500 | $689.89 | $119,468.16 | $103,484 | $49.75 |
| $95,000 | $749.03 | $129,708.29 | $112,354 | $54.02 |
| $102,500 | $808.16 | $139,948.42 | $121,224 | $58.28 |
| $117,500 | $926.43 | $160,428.67 | $138,964 | $66.81 |
| $138,500 | $1,092.00 | $189,101.03 | $163,801 | $78.75 |

All figures are based on an 8.25 percent annual interest rate and equal monthly payments.

Minimum salaries are based on the 8 percent recommendation: Student loan payments should not exceed 8 percent of your gross income.

- **Borrow from one lender.** If you borrow from multiple lenders, you will have to make multiple student loan payments each month.
- **Rights and responsibilities.** The promissory note that you are required to sign when you borrow a student loan lists your rights and responsibilities. Keep this information, and know the terms and conditions of the loans you have borrowed.

## Smart Choices loan types

The Missouri Student Loan Program (MSLP), a division of MOSTARS, is the state-designated guaranty agency that administers the Federal Family Education Loan (FFEL) Program on behalf of the U.S. Department of Education. The FFEL Program includes subsidized and unsubsidized Federal Stafford Loans, Federal Parent Loans for Undergraduate Students (PLUS), and Federal Consolidation Loans. Your school's financial aid office can tell you which loan types you are eligible to receive.



### Subsidized Federal Stafford Loans

Eligibility for a subsidized Federal Stafford Loan is based on financial need as determined by a standard federal formula:

**Cost of Attendance**
**– Expected Family Contribution**
**– Grants, Scholarships, and Other Assistance**
**= Unmet Financial Need**



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### Unsubsidized Federal Stafford Loans

Unsubsidized Federal Stafford Loans are awarded according to the following formula:

**Cost of Attendance**
**– Grants, Scholarships, and Other Assistance**
**= Loan Eligibility**

### Federal Parent Loans for Undergraduate Students

Federal PLUS Loans allow parents to borrow guaranteed, non-need-based loans for their dependent students.

Federal law requires that lenders check the credit history of PLUS applicants. Parents can be denied a Federal PLUS Loan due to adverse credit, which is defined as:

- the applicant being 90 or more days delinquent on the repayment of any debt or
- the applicant being subject to a default, tax lien, write-off of an educational debt, bankruptcy discharge, foreclosure, repossession, or wage garnishment during the last five years.

In some cases, an applicant can appeal the adverse credit determination. If a parent is denied a Federal PLUS Loan, the student might be eligible for an additional unsubsidized Federal Stafford Loan.

### Federal Consolidation Loans

A Federal Consolidation Loan combines your existing student loans into one new loan with new terms after you complete your program of study. Generally, consolidation results in lower monthly payments but increased total debt.

### Low Interest Rates

FFEL Program loans are assessed variable interest rates that are adjusted annually on July 1. The method for determining the annual adjustment will be described to you each year that you borrow, and the actual rate will appear on the notice of loan guarantee.

| Interest Rates |
|---|
| **Subsidized Federal Stafford Loan**<br>An annual variable rate that cannot exceed 8.25 percent. The federal government will pay the interest on your loan when you are continuously enrolled at least half time, are in your grace period, or have been granted a deferment. |
| **Unsubsidized Federal Stafford Loan**<br>An annual variable rate that cannot exceed 8.25 percent. Interest begins accruing on the loan immediately after the first disbursement and continues to accrue until the principal balance is paid in full. You may defer interest payments while you are enrolled in an eligible school at least half time, during your six-month grace period (after you stop attending school at least half time), and during authorized deferment periods; however, this interest will be added to your principle balance. |
| **Federal PLUS Loan**<br>An annual variable rate that cannot exceed 9 percent. Interest begins accruing on the loan immediately after the first disbursement and continues to accrue until the principal balance is paid in full. |
| **Federal Consolidation Loan**<br>A weighted average of the interest rates for the loans being consolidated, rounded up to the nearest 1/8 of 1 percent (not to exceed 8.25 percent). Interest begins accruing on the loan when the disbursement is issued and continues to accrue until the principal balance is paid in full. |

For the current interest rate, contact your lender or the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.

### Choice of Lenders

You might want to contact the financial institution with which you or your family does business. You also can request a list of participating lenders from your school or view the list on the MOSTARS web site at www.cbhe.state.mo.us/pdf/lndrlist.pdf.

### Loan Fees

Federal law allows origination and guarantee fees to be charged to student loan borrowers. The origination fee is equal to 3 percent of the loan amount, and the guarantee fee is 1 percent of the amount borrowed. The lender will deduct the fees from your original loan amount.

Once the application fees are deducted, the lender will disburse the remaining loan amount to your school. In most cases, you will receive your loan in two (or more) disbursements according to a schedule set by your school. The second disbursement occurs after the midpoint of the loan period.

Currently the MSLP does not charge a guarantee fee.

### Loan Limits

For **subsidized Federal Stafford Loans**, you may borrow up to your financial need or the federal maximum loan limit (see page 11), whichever is less.

For **unsubsidized Federal Stafford Loans**, you may borrow the cost of attendance less any financial assistance received or the federal maximum loan limit, whichever is less.

For **Federal PLUS Loans**, parents may borrow up to the cost of attendance less the amount of financial assistance received.

**Annual Loan Limits for Dependent Students**

| Borrower's Academic Level | Sub + Unsub |
|---|---|
| **First-Year Undergraduate** | |
| • less than one academic year | prorated |
| • one academic year | $2,625 |
| **Second-Year Undergraduate** | |
| • less than one academic year | prorated |
| • one academic year | $3,500 |
| **Third-Year and Remaining Undergraduate** | |
| • less than one academic year | prorated |
| • one academic year | $5,500 |
| **Graduate/Professional** | NA |

**Annual Loan Limits for Independent Students**

| Borrower's Academic Level | Base Amount Sub+Unsub | Additional Unsub | Total Sub+Unsub |
|---|---|---|---|
| **First-Year Undergraduate** | | | |
| • less than one academic year | | | prorated |
| • one academic year | $2,625 | $4,000 | $6,625 |
| **Second-Year Undergraduate** | | | |
| • less than one academic year | | | prorated |
| • one academic year | $3,500 | $4,000 | $7,500 |
| **Third-Year and Remaining Undergraduate** | | | |
| • less than one academic year | | | prorated |
| • one academic year | $5,500 | $5,000 | $10,500 |
| **Graduate/Professional*** | $8,500 | $10,000 | $18,500 |

* Certain Health Education Assistance Loan borrowers may be eligible for additional unsubsidized Federal Stafford Loan amounts.

**Total Amounts Dependent and Independent Students Can Borrow**

| Borrower's Academic Level | Base Amount Sub+Unsub | Additional Unsub | Total Sub+Unsub |
|---|---|---|---|
| **Undergraduate** | $23,000 | $23,000 | $46,000 |
| **Graduate/Professional** | $65,500 | $73,000 | $138,500 |



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## Smart Preparation
### loan repayment begins

Making your student loan payments on time each month will help you establish good credit. Don't wait until you leave school to think about repayment. Plan ahead while you are still in school.

Your loan repayment begin date depends on the type of loan you obtained. **You are required to begin repayment on time, even if you have not heard from your loan holder!** If your loan is coming due and you have not received information from your loan holder, contact the holder to inquire about where and when to mail your payments. If you do not know who your loan holder is, call (800) 4FEDAID or visit the Mapping Your Future Locating Your Loans page at www.mapping-your-future.org/services/locator.htm.

**Subsidized and unsubsidized Federal Stafford Loan** borrowers are eligible for a six-month grace period. Repayment begins immediately after the grace period.

With **subsidized Federal Stafford Loans,** you can make payments while you are in school and during the grace period. Payments made for subsidized loans during these periods will be applied to the principal balance as long as you inform your loan holder that the payments should not be considered "paid ahead."

With **unsubsidized Federal Stafford Loans,** you can make payments while you are in school and during the grace period. Contact your loan holder to inquire about making interest payments.

With **Federal PLUS Loans,** repayment begins as soon as the loan is fully disbursed. Since interest accrues after the first disbursement, some borrowers may be required to make interest payments before subsequent disbursements are made.



## Be Smart
### the effect of interest

**Interest is the cost of borrowing.** You are using federal funds for a period of time, and that use has a cost associated with it. If you understand the effects of interest, you can make the right decisions to help reduce your total debt.

**Principal balance** is the original amount you borrowed, plus capitalized interest, less principal payments.

**Simple interest** is calculated only on the principal portion of your student loan.

**Variable interest** is tied to a certain index (depending on the loan) and changes periodically as the index changes.

**Fixed interest** does not change.

**Accrued interest** is calculated on your unpaid principal balance each day. The formula for calculating daily accrued interest is as follows:

$$\text{Daily Interest} = \frac{\text{Annual Interest Rate}}{\text{365.25 days}} \times \text{Unpaid Principal Balance}$$

**Example: Interest accrual based on a $2,625 loan with an annual interest rate of 8.25 percent.**

$$\text{Daily Interest} = \frac{.0825}{\text{365.25 days}} \times \$2{,}625$$

$$= \$.592725$$

**Capitalized interest** is unpaid accrued interest that is added to the principal balance of your loan. When interest is capitalized, your total debt increases.

After reading through the following examples, you should have a better understanding of how important it is to make interest payments. Though you may not be required to make these payments, you can save yourself a considerable amount of money over a standard 10-year repayment period.

**Example: Interest capitalization based on an unsubsidized loan that was originally $2,625. The annual interest rate is 8.25 percent, and you do not make interest payments.**

### Loan Disbursement Date: Oct. 1, 2001

**Oct. 1 – 31, 2001**
$18.38 in interest accrues
($.592725 x 31 days)

**Nov. 1 – 30, 2001**
$17.79 in interest accrues
($.592725 x 30 days)

**Dec. 1 – 31, 2001**
$18.38 in interest accrues
($.592725 x 31 days)

**Jan. 1, 2002**
**$54.55 in unpaid accrued interest is capitalized**

Principal balance equal to $2,625 + $54.55 = $2,679.55

The daily interest factor is now greater:
$.605237166 (.0825 ÷ 365.25 x $2,679.55)

Though the difference between the old and new daily interest may seem small, imagine this same calculation on a loan balance of $10,000. During the period from Oct. 1 to Dec. 31, 2001, your principal balance would increase by $207.80. If you're in school for four years, your principal balance as of Oct. 1, 2005, would be about $13,894!



## Smart Planning
### repayment options

Your loan holder should inform you of your repayment terms before you enter repayment. The terms will be based on a standard 10-year repayment plan; however, you should ask your holder about the following alternative plans.

**Prepayment**

- Smartest choice
- You can prepay all or part of your loan at any time without penalty.
- Prepayment may substantially decrease your total interest costs.
- Be sure to indicate on any prepayment that your loan holder should apply it to the principal.

**Standard Repayment**

- Best choice if you can't prepay
- Fixed schedule of equal monthly payments
- Maximum 10-year repayment period
- Minimum $50 monthly payment
- Ideal for borrowers capable of meeting full monthly principal and interest payments

**Graduated Repayment**

- Short-term relief
- Monthly schedule that starts with small payments that increase gradually over time
- Maximum 10-year repayment period
- Your loan holder will set your minimum monthly payment, which generally must at least equal the monthly interest charge.
- Assumes your income will grow over time to cover the increasing loan payments.
- You will pay higher total interest than if you had chosen the standard repayment plan.

**Income-Sensitive Repayment**

- Temporary safety net
- A monthly payment schedule that fixes payments for one year at a time. Payments may increase or decrease each year as your income rises or falls.
- Maximum 10-year repayment period (can be extended annually up to five years if payments are less than the standard principal and interest)
- Your loan holder will set your minimum monthly payment based on income documentation you provide. **Even if you are not required to, try to pay the amount of interest that will accrue on your loan each month. Otherwise, your loan balance will continue to grow.**
- Monthly payments generally range from 4 percent to 25 percent of your gross monthly income.
- Substantially increases your total debt. Try to return to a standard repayment plan as soon as possible.

**Extended Repayment Plan**

- Available if you received your first loan through the FFEL Program on or after Oct. 7, 1998, and if your total FFEL Program debt exceeds $30,000
- Fixed annual or graduated repayment schedule
- Maximum 25-year repayment period
- Your loan holder will set your minimum monthly payment, which must at least equal the amount of interest due. The minimum annual payment amount is $600.
- Substantially increases your total debt. Try to return to a standard repayment plan as soon as possible.



**Smart Options**

**having problems with repayment?**

You may experience financial difficulties due to unemployment, illness, or other hardships. Don't be embarrassed or afraid to talk with your loan holder about any difficulties you might be having.

If you do not make a full payment on your loan each month, your loan will be considered delinquent. Delinquency can lead to default. (See pages 21 and 22 to learn about the consequences of default.) Unlike consumer debt (such as credit cards and car loans), student loans have built-in options to help you. **Contact your loan holder immediately if you're having problems making your payments!** Ask your loan holder about your eligibility for the following options.

**Deferment**

- A period of time during which you may postpone payments
- Interest continues to accrue on unsubsidized Federal Stafford Loans and Federal PLUS Loans. Unpaid interest will be added to your principal balance, increasing your total debt. You may choose to make interest payments when you have extra money.
- You may choose to make principal payments on any type of loan, reducing your total debt.
- Various types of deferments are available, depending on when you borrowed your oldest outstanding loan. Examples: in-school deferments, graduate fellowship deferments, and unemployment deferments
- Your loan holder must grant your deferment request if you meet the federal criteria.

**Forbearance**

- A period of time during which you are permitted to temporarily stop making payments or reduce the amount of payments
- Interest continues to accrue on all loan types.
- Your loan holder may grant you a forbearance if you are willing but temporarily unable to make full or partial payments and do not qualify for a deferment.
- The decision to grant forbearances is up to your loan holder; however, your loan holder may be required to grant you a mandatory forbearance under certain conditions.

**Loan Consolidation**

- The process of applying for a new loan that will be used to pay off your existing student loan debt
- Option for borrowers who want to combine all of their eligible loan types into one loan (and to make payments to one loan holder)
- May result in an extended repayment period, which may cause your monthly payments to decrease
- Usually results in a greater total debt
- Consult your loan holder to determine whether loan consolidation is the best option for you. Your loan holder may be able to tell you the interest rate, approximate repayment period, and approximate monthly payment amount.
- Married couples may consolidate their individual loans; however, this is not recommended. You would be eligible for a deferment or loan cancelation only if both you and your spouse meet the eligibility criteria (for example, you are both unemployed). In addition, if one of you dies, the other is still jointly and severally liable for repayment of the loan without regard to the amount of individual indebtedness. Even if you divorce, you are both responsible for the total loan debt.

**Cancelation (also known as "loan forgiveness")**

In some cases, your loan (or a portion of your loan) may be canceled, which means that neither you, your family, nor a co-signer would have to repay the loan (or the portion canceled). Cancelation of your student loan debt may be an option if:

- you become totally and permanently disabled,
- you die (For PLUS borrowers, if the student for whom the loan was obtained dies, the loan will be forgiven.),
- your school falsely certifies your eligibility for a loan,
- your school closes,
- you teach in a qualifying school district, or
- you are a childcare provider.

For more details about loan cancelation provisions, visit www.cbhe.state.mo.us/mostars/aboutloancanc.htm.

## Smart Talk
### communicate with your loan holder

Even if you do not remember the specifics of interest accrual or the different repayment plans, **you should always remember that you have options to avoid delinquency or default.**

**Contact your loan holder and guaranty agency any time you change your address or telephone number.** Having the post office forward your mail will not ensure that you will receive written information from your loan holder. You are obligated to notify your loan holder if you move or change your telephone number. If you don't know who your loan holder is, call (800) 4FEDAID or visit the Mapping Your Future Locating Your Loans page at www.mapping-your-future.org/services/locator.htm.

**Contact your loan holder immediately if you are having problems making your payments! Ask about your options before your loan becomes delinquent.** Don't assume that your loan holder has approved your request for deferment, forbearance, or an alternative repayment plan. Call one week after you mail the information to ensure your loan holder received the original documentation. Even if you submit documentation, you may not be eligible. Don't assume your holder has granted your request unless you receive written verification.

**Contact your school if you are having problems communicating with your loan holder.** The financial aid office may be able to help you submit the necessary paperwork. Follow up with your school to ensure that this is done. Remember, the loan is your responsibility.

**Always keep copies of your loan information in one place.** Keep a copy of any loan applications and promissory notes, correspondence from your loan holder(s) and guaranty agency, letters about the sale of your loan, notes from conversations between you and your loan holder(s) (including to whom you talked and the date), and repayment schedules or notices.

## Smart to Avoid
### student loan delinquency and default

If you do not make a full payment by the due date, your loan is considered delinquent. If the delinquency reaches 270 days, your loan is in default status. Your loan holder will file a default claim with your guaranty agency.

Being in default is a violation of your loan agreement. Your loan holder may reasonably assume you have no intention of repaying your loan. The consequences of default are severe:

- Your loan holder or guaranty agency will report your default to national credit bureaus. Your default, the most severe credit rating, will remain on your credit report for seven years after your loan is paid in full. The credit rating will have severe consequences on your ability to obtain other financing in the future.
- Although you retain the right to review your academic records, a hold may be placed on your official academic transcript.
- The entire amount of your loan, including interest, will become immediately due and payable in full. In other words, your loan holder will not be required to allow you to make monthly payments. Instead, your loan holder will demand payment in full.
- Your loan may be turned over to a collection agency.
- Collection costs may be assessed to your loan. If collection costs are assessed, payments will be applied to those costs first, then to interest and principal.
- You may be sued for the debt.
- Up to 10 percent of your disposable wages may be taken and applied to your defaulted loan. Your guaranty agency will not be required to take you to court before ordering the garnishment.

- Federal Treasury offset or state tax offset may occur, whereby payments you are eligible for (such as federal and state tax refunds, veterans' benefits, and Social Security benefits) are taken and applied to your defaulted loan.
- You may be denied employment by a state, county, city, or local government, or employment with such agencies may be terminated.
- You will be ineligible to receive any federal or state financial assistance funds to continue your education.
- You will no longer be eligible for deferments, forbearances, or various repayment plans.

Generally, student loans are not canceled if you file bankruptcy. There is no statute of limitations on the collection of defaulted student loans.

**Remember, you have options to avoid delinquency and default! Call your loan holder or MOSTARS at (800) 473-6757 or (573) 751-3940 for more information about repaying your student loans.**

## Publications

- *Be a Smart Borrower* Folder
- *Choosing the Right School for You*
- *Credit Card Tips*
- *Need Money for College?... Missouri Grants, Scholarships, Loans and More*
- *The Road to Your Future* Entrance and Exit Loan Counseling Booklets

**To request any of these publications, call the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.**

## Notes

MOSTARS, the student assistance division of the Missouri Department of Higher Education, administers a variety of grant, scholarship, and loan programs.

For more information, call the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940 or visit our web site at www.mostars.com.

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The Missouri Department of Higher Education makes every effort to provide program accessibility to all citizens without regard to disability. If you require this publication in an alternate form, please contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940. Hearing/speech impaired citizens can call (800) 735-2966.

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